

Message Text

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TAGS: EAGR PL

SUBJ: NEW, BUT QUESTIONABLE, RUMORS IN WARSAW OF IMPENDING
RETAIL PRICE INCREASES FOR MEAT IN POLAND

1. A LOCAL SOURCE REPORTS STRONG RUMORS IN WARSAW TODAY OF IMMINENT PRICE INCREASES ON MEAT, TEA, AND COFFEE. ACCORDING TO RUMORS, PRICES WILL GO UP EFFECTIVE SATURDAY NIGHT, JUNE 3. MEAT PRICES WILL REPORTEDLY BE RAISED TO THE LEVEL OF THOSE IN THE "COMMERCIAL SHOPS" WHICH HAVE PROLIFERATED IN POLAND DURING THE LAST YEAR. PRICES IN THESE SPECIAL SHOPS ARE 40 TO 50 PERCENT ABOVE THOSE IN REGULAR STATE STORES. SOURCE SAID LINES AT MEAT SHOPS WILL BE LONGER THAN USUAL SATURDAY MORNING.

2. COMMENT: THIS REPORT RUNS DIRECTLY CONTRARY TO COMMENTS WE HAVE RECEIVED RECENTLY FROM SEVERAL HIGH ECONOMIC OFFICIALS IN POLAND. DEPUTY CHAIRMAN OF THE PLANNING COMMISSION JOZEF PAJESTKA TOLD EMBASSY OFFICERS IN MID-MAY THAT THE GOVERNMENT COULD NOT POSSIBLY AFFORD TO RAISE MEAT PRICES UNTIL QUANTITIES WERE FULLY ADEQUATE TO COVER HEAVY DEMAND, SOMETHING HE DID NOT CONSIDER POSSIBLE FOR ONE OR TWO YEARS. ON JUNE 1, PROFESSOR PAWEL BOZYK,
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CHIEF OF THE IMPORTANT ECONOMIC ADVISORY GROUP ATTACHED TO THE CENTRAL COMMITTEE (ALSO KNOWN AS GIEREK'S SPECIAL "THINK TANK" FOR ECONOMIC POLICY) TOLD US THAT THE GOP "WOULD DEFINITELY NOT" SEEK TO RAISE MEAT PRICES "IN ONE STEP." HE SAID THAT THE POLISH LEADERSHIP HAS DECIDED THAT "STEP-BY-STEP" INCREASES IN FOOD PRICES, ON AN AVERAGE OF 5 PERCENT TO 10 PERCENT A YEAR, BEGINNING IN "EARLY 1979," WOULD ALLOW THEM TO SATISFY MARKET DEMANDS FOR

MEAT "IN ABOUT 1985".

3. SUDDEN POLICY REVERSALS HAVE HAPPENED IN POLAND BEFORE, HOWEVER. WHILE THE SIZE OF THE RUMORED PRICE INCREASE COMES AS SOME SURPRISE, GIVEN THE POLISH GOVERNMENT'S EXPERIENCE WITH TRYING TO RAISE PRICES IN JUNE, 1976, MEAT SUPPLIES ON THE DOMESTIC MARKET HAVE BEEN IMPROVED OVER THOSE OF 1977 AND THE FALL AND WINTER OF 1977/1978. THIS IS A RESULT OF THE UPTREND IN HOG NUMBERS IN 1977. THE SWINE POPULATION WAS PEGGED AT 20.5 MILLION HEAD IN THE JANUARY 1978 CENSUS, VERSUS 16.7 MILLION HEAD IN JANUARY 1977. JUST PUBLISHED INFORMATION ON THE SWINE ECONOMY SHOWS THAT THE NUMBER OF BRED SOWS FOR THE FIRST FOUR MONTHS OF 1978 WAS 14 PERCENT (NATIONAL AVERAGE) BELOW THE LEVEL OF THAT PERIOD IN 1977, AND AS MUCH AS 30 PERCENT BELOW THE 1977 RATE IN SIX PROVINCES. THESE DATA LEND CREDENCE TO OUR BELIEF THAT CARRYOVER AND INCREASED GRAIN AND FEED IMPORTS IN 1977/1978 WOULD STILL BE INSUFFICIENT TO COVER THE EXTRAORDINARY FEED DEFICIT CAUSED BY SIMULTANEOUS SHORTFALLS IN GRAINS AND POTATO PRODUCTION IN 1977 AND THAT SOME SLIPPAGE IN HOG NUMBERS MIGHT OCCUR IN 1978 AS A RESULT.

4. REGARDLESS OF WHETHER THIS LATEST RUMOR OF PRICE INCREASES HAS ANY FOUNDATION IN FACT, IF ONE WERE TO TRY TO PICK THE BEST FROM A RANGE OF ALWAYS POOR TIMES TO EFFECT A PRICE INCREASE IN POLAND -- THIS COULD BE IT. SUPPLIES ARE RELATIVELY BETTER, AND THE NEXT SLUMP (CAUSED BY ALL THOSE UNBRED SOWS) HAS NOT YET
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BEGUN TO BE FELT IN THE MARKET PLACE.
SCHAUFEELE

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